

November 2017

Market Update



Charitable Donations & Tax Efficiency – Important before December 31, 2017

If you are making charitable donations please think of us first! Charitable donations can be done to help maximize tax efficiency.

1. Donate appreciated securities & save the capital gains tax

Instead of donating \$1,000 of cash to a charity, donate \$1,000 worth of securities where the cost basis is low, and use the \$1000 of cash to purchase shares of the same security that what was donated. In this case one gets the same \$1,000 charitable tax credit, one's portfolio is virtually the same, but the tax on the capital gain on the donated security is avoided altogether and forever.

2. Time the use of the Donation tax credit to maximize impact

If one's income is uneven then one's donation credit should not be used in a low income year but carried forward to offset taxes when one is in a higher income tax bracket. Before implementing this strategy, it is important to discuss it with your accountant.

3. Donations from corporate accounts

If you make a donation of shares from a corporate account there are additional tax advantages. Please contact us for a thorough explanation of the benefits.

Additionally the idea of making annual donations is of particular importance for those who plan on making large donations through their wills. Large donations at death can provide a tax credit that exceeds the taxes due in one's final year. Such a tax credit has the potential to go unused. (There are opportunities to carry charitable amounts back to a previous year). We are happy to work with you and your accountants to discuss a strategy where donations are an annual event so that we fully use the tax benefits and minimize taxes.

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4. Estate

The idea of making annual donations is of particular importance for those who plan on making large donations through their wills. Large donations at death can provide a tax credit that exceeds the taxes due in one's final year. Such a tax credit has the potential to go unused. (There are opportunities to carry charitable amounts back to a previous year).

We are happy to work with you and your accountants to discuss several strategies, one being where donations are an annual event so that we fully use the tax benefits and minimize taxes.

Market Update – October 2017:

In previous letters I have referred often to the price of a stock being most highly correlated to the company's earnings. In anticipation (but without knowledge) of increased and increasing earnings share prices have been moving upwards.

Over these last few weeks we have entered quarterly earnings season – and they have been quite strong. As of Tuesday October 24, 120 companies listed in the S&P 500 Index reported Q3 earnings and 80% beat earnings estimates and 74% beat revenue estimates (Globe & Mail). This is in line with the thesis that we are in the midst of durable economic growth that is supported by cautious central banks. This then provides justification for the strength of the equity markets.

As a result, October proved to be a profitable month. Almost every asset category posted a positive return (Global Real Estate being an exception). While many feared October (historically October has had some of the market's worst days), this year October was not only a profitable month but was enjoyed even more so due the lack of volatility.

The markets now expect the U.S. to raise rates but for Canada to be on hold. This will garner a lot of attention but have less of an effect on the markets.



Looking forward, the economy is performing just fine by most measures (few signs of an economic downturn in the near future and earnings improving nicely), political uncertainty remains high (though very public this matters less), market volatility remains at historic lows, and inflation remains benign. We hold our positions and continue to invest cautiously.

For the month the bond market was down 1.7%, the Canadian market was up 3.6%, the US market was up 1.7%, International markets were up 2.4%, the Emerging markets were flat, the REIT market was down 1% and the preferred market was up 1%.

Have a great month and let us know if there is anything we can do for you,

Meir

